

# VANTAGE POINT



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1

## LOCAL EQUITY OUTLOOK

**Market Outlook :** Cautious bullish

**Technicals :** Support at 6000 followed by 5700, Resistance at 6200 followed by 6500

**Trading Strategy :** The index showed resilience amid downgraded macro targets and forecasts as foreign investors started rotating out of tech names. Companies that underperformed in the wake of the Iran war have begun their recovery. As the economy slows down, companies that best manage cost pressures or maintain an upward growth trajectory are likely to outperform.

The PSEi gained 1.9% this week as confused investors rotated out of high-flying semiconductor and AI names into battered down countries and sectors. We note that there is now selective but large net foreign buying. Meanwhile, a relatively resilient peso helped lift the market. Net foreign flows also narrowed to PhP171 million.

The government adjusted macroeconomic forecasts downward indicating deteriorating outlook. FY26 GDP growth target range was lower at 3.5-4.5% with higher inflation forecast of 6-7% vs long-term target of 2-4%. The BSP expects June inflation to settle within 6-7% vs 6.8% print in May as lower prices of fuel, rice and meat may be offset by higher prices of vegetables and electricity. Sugar prices are also expected to soar as production dropped. However, the infestation of redstriped soft-scale insects (RSSI) could lower yields of sugar producers.

Recently the daily minimum wage in Metro Manila was increased by 12% or PhP85 to PhP780 for non-agriculture workers and PhP743 for employees in the agriculture sector, service and retail establishments. This was the highest rate hike approved by the regional wage board so far as last year's increase was only at 8%. This makes the minimum wage in NCR higher than that of Thailand, Indonesia and Vietnam.

Meanwhile, crude oil prices plunged further around \$70/bbl. Following this, Fed Chair Kevin Warsh indicated inflation risks to have come down. However, no forward guidance was provided. The Fed instead assured that its priority is to bring back inflation below its 2% long-term target. The dollar corrected after.

Philippine Stock Exchange Index (PSEi) 1-year chart



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2

## GLOBAL EQUITY OUTLOOK

Global markets were mixed as investors rotated away from top-performing AI, semiconductor & chip names and into financials, industrials, consumer discretionary, and other cyclical sectors. XLK ETF which tracks the technology sector within the S&P 500 and SMH ETF which tracks the 25 largest semiconductor stocks were down by 0.3% and 3.2% WoW, respectively. Nevertheless, the MSCI All-Country World Index (MXWD) closed near record highs as the Dow Jones reached a new all-time high of 52,900.07. South Korea's KOSPI was a notable decliner as it fell 7.9% on July 2 due to AI capex concerns. Meanwhile, Taiwan's TAIEX, Japan's Nikkei 225 and European markets remained firm.

Inflation concerns continued to take a backseat as crude oil prices fell below \$70/bbl. This boosted equity indices composed mainly of traditional businesses, with Germany's DAX reaching a new all-time high and the UK's FTSE 100 climbing to a multi-month high. Asian equity indices recovered as well.

Investors also reflected on Fed Chair Kevin Warsh's remarks at the European Central Bank forum alongside a panel of other central bank leaders. Warsh acknowledged that inflation risks had moderated following developments in the Middle East conflict. However, no forward guidance was provided. He, instead, reiterated the Fed's commitment to price stability and its priority to bring back inflation below its 2% long-term target, noting that "we've seen that prices are too high."

MSCI All Country World Index (MXWD) 1-year chart



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3

**BOND OUTLOOK**

**Market Outlook :** Defensive

**Trading Strategy :** Remain defensive for now as local yields are still elevated close to the 7% mark on the belly of the curve and we see additional supply coming in. The 7% level does provide good value though it may be too soon to reload, since market expects more rate hikes by the BSP.

We remain defensive in general even though oil prices are coming down to close to pre war levels. Most are expecting the BSP to continue with rate hikes regardless, as there are also risks to food prices with the threat of el nino looming. For now, we would stay on the sidelines, though we see good value at close to the 7% level on the 5yr and below.

**Philippines 10 Year Government Bond**



[https://www.marketwatch.com/investing/bond/lbmkph-10y/charts?countrycode=bx&mod=mw\\_quote\\_tab](https://www.marketwatch.com/investing/bond/lbmkph-10y/charts?countrycode=bx&mod=mw_quote_tab)

**PHP BVAL Reference Rates Benchmark Tenors**

Tenor	BVAL Rate as of July 03, 2026
1M	4.9000
3M	5.1237
6M	5.5307
1Y	5.9477
3Y	6.5484
5Y	6.8291
10Y	7.1482

<https://www.pds.com.ph/government-securities/>

